

Fiscal Year 2016 Project 1 Annual Budget



Prepared 4/23/15

Table of Contents

	<u>Table</u>	<u>Page</u>
Summary		3
Summary of Costs	Table 1	4
Treasury Related Expenses	Table 2	5
Summary of Full Time Equivalent Positions	Table 3	6
Cost-to-Cash Reconciliation	Table 4	8
Annual Budget and Statement of Funding Requirements	Table 5	9
Monthly Statement of Funding Requirements- Revenue Fund	Table 6	10

Summary

The Project 1 Fiscal Year 2016 Annual Budget is prepared by Energy Northwest pursuant to the provisions and requirements of Board of Directors' Resolution No. 769, the Project Agreement and the Net Billing Agreements. The budget includes all costs associated with the project for Fiscal Year 2016 including reuse funding, fixed and variable costs, and treasury related expenses. In addition, the budget includes all funding requirements identified for the project for Fiscal Year 2016.

The total net cost for Fiscal Year 2016 is estimated to be \$34,700,000 (Table 1). Total Funding Requirements of \$74,493,000 (Table 5) less revenue from restoration/demolition and leasing totaling \$467,000 will be direct billed to Bonneville Power Administration. Bonneville Power Administration pays directly the funding requirements on a monthly basis under the provisions of the Direct Pay Agreements. This takes the net billing requirements to zero, for the statements which otherwise would be sent to participants in the project, and paid in accordance with the terms of the Net Billing Agreements. The Net Billing Agreements are still in place, but the direct cash payments from Bonneville Power Administration simply takes the participant payment amounts to zero. In the Direct Pay Agreements, Energy Northwest agreed to promptly bill each participant its share of the costs of the project under the Net Billing Agreements, if Bonneville fails to make a payment when due under the Direct Pay Agreements.

A comparison of the Fiscal Year 2016 budget is made to the original budget issued for Fiscal Year 2015.

Table 1
Summary of Costs
(Dollars in Thousands)

	FY 2016	Original	
	Budget	FY 2015	Variance
	Budget	Budget	
Revenue			
Asset Sales	\$ -	\$ 400	\$ (400)
Restoration / Demolition (1)	382	-	382
Fixed Costs	<u>85</u>	<u>114</u>	<u>(29)</u>
Total Revenue	<u>\$ 467</u>	<u>\$ 514</u>	<u>\$ (47)</u>
Costs			
Site Costs			
Asset Sales	\$ -	\$ 174	\$ (174)
Reuse	46	217	(171)
Variable Costs	51	39	12
Restoration / Demolition	382	-	382
Fixed Costs	<u>503</u>	<u>458</u>	<u>45</u>
Subtotal Site Costs	<u>\$ 982</u>	<u>\$ 888</u>	<u>\$ 94</u>
Other			
Treasury Related Expenses	\$ 33,620	\$ 26,268	\$ 7,352
Decommissioning	<u>565</u>	<u>565</u>	<u>-</u>
Subtotal Other Costs	<u>\$ 34,185</u>	<u>\$ 26,833</u>	<u>\$ 7,352</u>
Total Costs	<u>\$ 35,167</u>	<u>\$ 27,721</u>	<u>\$ 7,446</u>
Total Net Costs	<u>\$ 34,700</u>	<u>\$ 27,207</u>	<u>\$ 7,493</u>

(1) Restoration / Demolition receipts from the Bonneville Power Administration escrow account will be used to offset all costs of this initiative.

Table 2
Treasury Related Expenses
(Dollars in Thousands)

<u>Description</u>	<u>FY 2016 Budget</u>	<u>Original FY 2015 Budget</u>	<u>Variance</u>
Interest Expense / Note (1)	\$ 44,004	\$ 35,443	\$ 8,561
Amortized Financing Cost (2)	(10,719)	(9,451)	(1,268)
Investment Income (Rev. Fund) (3)	(16)	(25)	9
Treasury Services (4)	351	301	50
Total	<u>\$ 33,620</u>	<u>\$ 26,268</u>	<u>\$ 7,352</u>

Assumptions

- (1) Budget assumes \$214.3 million of maturing principal will be extended in the Spring 2016. Interest on \$41.1 million Note included as part of the refinancing effort.
- (2) The amortized financing costs are driven by the amortization of the premiums on bond issues.
- (3) Includes income on investment of monies held in the interest and principal accounts and the Reserve and Contingency Fund which are transferred periodically to the Revenue Fund. Investment income earnings rates are forecasted to average 0.20%.
- (4) Includes all non-interest costs of fixed rate debt, internal labor and overheads.

Table 3
Summary of Full Time Equivalent Positions *

<u>Description</u>	<u>FY 2016 Budget</u>	<u>FY 2015 Budget</u>	<u>Variance</u>
Asset Sales	-	1	(1)
Restoration / Demolition	2	-	2
Site Support	3	3	-
Treasury	1	1	-
Total Positions	6	5	1

* Includes Allocations of Corporate Full Time Equivalent Positions

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Table 4
Cost-to-Cash Reconciliation
(Dollars in Thousands)

Description	FY 2016 Total Cost	Non-Cash Items	Non-Cost Items	Deferred Cash Req'ts	Prior Year's Commitments	FY 2016 Total Cash
Reuse	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ 46
Variable Costs	51	-	-	-	-	51
Restoration / Demolition	382	-	-	-	-	382
Fixed Costs	503	-	-	-	-	503
Subtotal Site	\$ 982	\$ -	\$ -	\$ -	\$ -	\$ 982
Other						
Decommissioning (1)	\$565	(\$565)	\$ -	\$ -	\$ -	\$ -
Treasury Related						
Interest Expense	43,782	-	-	-	-	43,782
Bond Retirement (2)	-	-	25,065	-	-	25,065
Interest on Note	222	-	-	-	-	222
Amortized Cost	(10,719)	10,719	-	-	-	-
Invest. Income (Rev.)	(16)	-	-	-	-	(16)
Treasury Services	351	-	-	-	-	351
R&C Fund (3)	-	-	4,400	-	-	4,400
Prior Year's R&C Surplus	-	-	(293)	-	-	(293)
Subtotal Treasury Expenses	\$ 33,620	\$ 10,719	\$ 29,172	\$ -	\$ -	\$ 73,511
Subtotal Other	\$ 34,185	\$ 10,154	\$ 29,172	\$ -	\$ -	\$ 73,511
Total Funding Requirements	\$ 35,167	\$ 10,154	\$ 29,172	\$ -	\$ -	\$ 74,493

(1) BPA directly funds the requirements for the Decommissioning Fund on behalf of Energy Northwest.

(2) It is assumed that \$214.3 million of the maturing 7/1/2016 bonds will be extended.

(3) The budget reflects R&C Fund for prior lien bonds only. Newer bond resolutions have eliminated R&C Fund requirements.

Table 5
Annual Budget and
Statement of Funding Requirements
(Dollars in Thousands)

<u>Description</u>	<u>FY 2016</u> <u>Budget</u>	<u>Original</u> <u>FY 2015</u> <u>Budget</u>	<u>Variance</u>
<u>Programs</u>			
Asset Sales	\$ -	\$ 174	\$ (174)
Reuse	46	217	(171)
Variable Costs	51	39	12
Restoration / Demolition	382	-	382
Fixed Costs	503	458	45
Subtotal Programs	\$ 982	\$ 888	\$ 94
<u>Treasury Related Expenses</u>			
Interest Expense	\$ 43,782	\$ 35,443	\$ 8,339
Bond Retirement	25,065	191,430	(166,365)
Interest on Note	222	-	222
Reserve & Contingency Fund	4,400	293	4,107
Investment Income (Revenue)	(16)	(16)	-
Prior Year's R&C Surplus	(293)	(293)	-
Treasury Services	351	301	50
Subtotal Treasury Related	\$ 73,511	\$ 227,158	\$ (153,647)
Total Funding Requirements	\$ 74,493	\$ 228,046	\$ (153,553)
<u>Funding Sources</u>			
Asset Sales	\$ -	\$ 400	\$ (400)
Restoration / Demolition (1)	382	-	382
Revenue - Fixed Costs	85	114	(29)
Net Billing/BPA Direct Payments	74,026	227,532	(153,506)
Total Funding Sources	\$ 74,493	\$ 228,046	\$ (153,553)

(1) Restoration / Demolition receipts from the Bonneville Power Administration escrow account will be used to offset all costs of this initiative.

Table 6
Monthly Statement of Funding Requirements - Revenue Fund
(Dollars in Thousands)

Description	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2016 Total
Beginning Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Receipts													
BPA Direct Payments (1)	\$ 463	\$ 709	\$ 711	\$ 620	\$ 720	\$ 21,149	\$ 629	\$ 729	\$ 778	\$ 641	\$ 740	\$ 46,136	\$ 74,026
Restoration / Demolition	-	-	-	96	-	-	96	-	-	96	-	95	382
Revenue - Leasing	7	7	7	7	7	7	7	7	7	7	7	7	85
Total Receipts	\$ 470	\$ 716	\$ 718	\$ 723	\$ 727	\$ 21,157	\$ 732	\$ 736	\$ 785	\$ 744	\$ 747	\$ 46,238	\$ 74,493
Disbursements													
Treasury Related Expenses													
Interest Expense	\$ 244	\$ 244	\$ 244	\$ 244	\$ 244	\$ 20,672	\$ 243	\$ 244	\$ 244	\$ 244	\$ 244	\$ 20,671	\$ 43,782
Bond Retirement (2)	-	-	-	-	-	-	-	-	-	-	-	25,065	25,065
Interest on Note	-	3	6	10	14	17	20	23	27	31	34	37	222
R&C Fund (3)	367	367	366	367	367	366	367	367	366	367	367	366	4,400
Investment Income	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(4)	(16)
Prior Years R & C Surplus	(293)	-	-	-	-	-	-	-	-	-	-	-	(293)
Treasury Services	75	25	25	25	25	26	25	25	25	25	25	25	351
Subtotal Treasury Related	\$ 392	\$ 638	\$ 640	\$ 645	\$ 649	\$ 21,079	\$ 654	\$ 658	\$ 661	\$ 666	\$ 669	\$ 46,160	\$ 73,511
Reuse	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46	\$ -	\$ -	\$ -	\$ 46
Variable Costs	4	4	4	4	4	4	4	4	4	4	4	4	51
Restoration / Demolition	32	32	32	32	32	32	32	32	32	32	32	32	382
Fixed Costs	42	42	42	42	42	42	42	42	42	42	42	42	503
Total Disbursements	\$ 470	\$ 716	\$ 718	\$ 723	\$ 727	\$ 21,157	\$ 732	\$ 736	\$ 785	\$ 744	\$ 747	\$ 46,238	\$ 74,493
Ending Balance	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000

(1) BPA is billed, through the Direct Payment Agreements, one month in advance for the following month's expenses.

(2) It is assumed that \$214.3 million of the maturing 7/1/2016 bonds will be extended.

(3) The budget reflects R&C Fund for prior lien bonds only. Newer bond resolutions have eliminated R&C Fund requirements.

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